



March 12, 2004

Docket No. 04-06
Communications Division
Public Information Room

Docket No. R-1181
Jennifer J Johnson, Secretary
Board of Governors of the Federal Reserve System

From: "Marcia L. Josephson", m.josephson@kleinet.com
Subject: Regulation BB – Community Reinvestment Act

I would like to comment on the proposed changes to Reg BB. We are in favor of the proposed change to the definition of "small institution" to mean an institution with total assets of less than \$500 million, without regard to any holding company assets for the following reasons.

We are part of a 9-bank holding company with banks ranging in size from \$48,500,000 to \$184,000,000. None of the banks are at the \$250,000,000 threshold for Large Bank CRA reporting. The holding company has assets of \$1,047,000,000, which qualifies us as a Large Bank for CRA reporting.

The loan data collection process is cumbersome. Software makes the process somewhat less burdensome, but it is cost prohibitive for the smaller banks. Our experience has indicated to us that there is still some manual processing involved. The Large Bank CRA reporting has put additional strains on the limited staff in the smaller banks.

The current institution eligibility definitions penalize smaller banks owned by a single holding company. I do not believe that the holding company component of the eligible bank definition lives up to the original intention of the regulation.

Banks in our communities are committed to community growth as it sustains the community and the bank. Typically banks are eager to participate in economic development loans, low income housing projects, and similar loans as long as they cash flow because this means an opportunity for community growth. Without community growth, banks would be less profitable and banking services would shrink. The elimination of the holding company asset rule for Large Bank CRA reporting will not affect the commitment to CRA lending in our communities.

Thank you.

Marcia L. Josephson,
AVP / Compliance Officer
State Bank of Chanhassen
(952) 975-5881
m.josephson@kleinet.com